

BILL ANALYSIS

Senate Research Center
78R1980 ATP-D

S.B. 626
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State Affairs
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DIGEST AND PURPOSE

Currently, public agencies are not required to collect information from financial institutions before selecting them as depositories of public funds. For example, financial institutions are not required to report information necessary to measure and evaluate the financial institution's loan to deposit ratio, or the relationship of the institution with the local community and borrowers. Such information would aid public agencies in the process of choosing financial institutions as depositories. In addition, the information is currently required by federal regulators in various federal agencies and asking financial institutions to submit this information to state agencies does not create a burdensome additional reporting requirement.

As proposed, S.B. 626 requires the collection of information regarding lending practices. This bill directs public agencies to only consider a financial institution which submits specific information regarding the institution's lending history and practices, involvement in the community, and status as an institution with a "satisfactory record of meeting community credit needs" under federal regulatory law.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 3Z, Finance Code, by adding Chapter 278, as follows,

CHAPTER 278. DEPOSIT OF PUBLIC FUNDS

Sec. 278.001. DEFINITIONS. Defines "branch," "county in which the financial institution does business," "depository of public funds," "home office," "financial institution," "public agency," and "state agency."

Sec. 278.002. RESTRICTION ON SELECTION OF DEPOSITORY OF PUBLIC FUNDS. Authorizes a public agency, when selecting a depository of public funds, to consider a financial institution only if the financial institution submits information required by Section 278.003.

Sec. 278.003. REQUIRED INFORMATION. Requires a financial institution to submit certain items to the public agency considering the financial institution for selection as a depository of its public funds.

SECTION 2. Requires a public agency that enters into a depository contract on or after the effective date of this Act to comply with Chapter 278, Finance Code, as added by this Act.

SECTION 3. Effective date: September 1, 2003.